



## Understanding the Japan Talent Market

### Six Best Practices for Finding and Acquiring Successful Leaders

Given the unique aspects of the Japan talent market, global companies can face challenges when trying to attract and recruit leaders here. Understanding the complexities and nuances of the market is vital to avoiding the common recruiting pitfalls.

We at Spencer Stuart have been helping organizations find exceptional leaders in Japan for 30 years. In this article, we highlight some key observations about the executive talent market in Japan and provide advice for more successful recruiting.

#### **THE POOL OF LEADERSHIP TALENT WITH MULTINATIONAL EXPERIENCE IS SMALL**

Western hiring managers often expect candidates to line up quickly for job opportunities at multinational corporations (MNCs). The reality is that the MNC talent pool is smaller than many appreciate. For one thing, out of Japan's 127 million population and full-time labor force of 33 million, just 610,000 individuals are full-time employees of MNCs, representing less than 2 percent of the working population.

One reason for this is that top graduates from Japan's universities tend to choose large, stable Japanese companies in the automotive, trading, high tech and financial sectors, where they can spend their entire careers. Leaving a job at one of these organizations — “dropping out” — can create the impression that there was something wrong, e.g., the person lacks cooperativeness or patience. Meanwhile, MNCs are viewed as over-focused on short-term-profits and lacking the same opportunities for long-term career progression.

Another potential source of talent are Japanese expatriates working for Japanese companies outside of Japan. These leaders may have better English skills and more cultural agility, especially if they have managed local teams. They tend to be “lifers” with 15-20 years’ experience at the same company. Some may have exposure to Western management if, for example, they worked with an acquired local business, although this is less common; because they often are so entrenched in the Japanese management system, their ability to adapt could be a concern.

## **FLUENCY IN ENGLISH DOES NOT NECESSARILY EQUATE WITH CAPABILITY TO DO THE JOB**

MNC hiring managers tend to over-value English fluency when assessing candidates, and this can cause them to overlook highly capable — but less fluent — executives.

While Japanese students study English in school, Japanese is the language people speak in daily and professional life. The study of English centers on grammar and vocabulary, rather than verbal communication. Many candidates’ verbal skills, not surprisingly, are weaker than their writing abilities. Unfortunately, poorer English speakers often are regarded by hiring managers as less competent than stronger speakers, regardless of their other capabilities and track record of success. The reverse is true as well: strong English speakers may be viewed as more competent overall, even when they are less effective in communicating with the senior executives in Japanese in a business context.

With these lessons in mind, one global software company we worked with hired a sales leader from a competitor who had an outstanding track record but weaker English skills. The company used a translator for the interview process and provided him with a translator after he joined. He delivered results over budget from the first year and also gained English skills over time. He has since become a general manager of a spinoff company with more than 100 employees, and reports to his boss in English.

## **JAPANESE COMPANIES EMPHASIZE TRAINING OVER SPECIFIC EDUCATIONAL BACKGROUND**

MNC hiring managers and HR executives, in particular, are good at judging candidates on paper, but candidates’ educational experience is a common blind spot. For example, technology MNCs can be quick to dismiss candidates with “off-spec” majors such as archeology or geology. The reality is that, in Japan, a college major tends to have little connection to the expertise candidates build during the course of their careers. When hiring college graduates, Japanese companies tend not to look at what individuals studied. Instead, they invest significant time and resources in training to develop employees as generalists. They rotate individuals around the business so they gain broad experience. As one leader told us, “I hire only those who spend the first 10 years at an enterprise known for

providing development opportunities to junior staff. Trading companies are good at this. They allow the young generation of leaders to take risks and manage business very early in their careers.”

## MANY CANDIDATES ARE NOT SKILLED INTERVIEWEES

Lifetime employment is still true among major Japanese companies. In the traditional corporate culture, seniority matters and individual accountability is less clear compared to MNCs. Since people generally do not change jobs, many are not accustomed to interviews. This inexperience can come across as a lack of preparation. Among the feedback we receive are comments such as: “The candidate was not articulate, not getting to the point. Answers were generic. The candidate did not share specific examples.” One way to avoid this challenge is to advise candidates in advance that they should be prepared to share examples of their experience.

## SIX BEST PRACTICES FOR SUCCESSFUL RECRUITING

Drawing on our work with clients, we have identified six best practices for companies that want to improve their ability to recruit successfully in Japan.

### Reference early to understand candidates’ reputation in the marketplace

Referencing is not a common practice in Japan. Culturally, people are not used to being asked to provide references and are generally cautious about making comments about their colleagues, clients and business partners for reference. By law, hiring companies and search firms must obtain the prior consent of the individual before approaching references. Therefore, in a formal search process, referencing is mainly done by

asking the finalist candidate to provide consent and introduce references. Since the candidate is selecting the referees, it’s possible that they will provide only positive comments, and it may be difficult to unearth potential issues. Conducting preliminary third-party sourcing through a trusted network can help you understand how an individual is perceived in the market before he or she becomes a candidate.

### Involve the local team

When a role has a solid-line reporting relationship to headquarters with dotted-line reporting to the leadership in Japan, some MNCs manage the entire recruiting process with little or no involvement from local leaders. We’ve even heard of situations when the Japanese team wasn’t informed of the hiring and was shocked to learn who was hired. In one recent example, a recruiting team for a global integrated enterprise from outside Japan carried out the hiring process entirely in English without involving any executives from Japan. The hire turned out to be a mistake; despite impressing interviewers during the hiring process, the individual failed to deliver results in the role.

It’s important to remember that, to be successful, these leaders will need to effectively interact with customers and colleagues in Japan. By involving the right members of the Japan leadership team and, potentially, local search advisers, this simple mistake can be easily avoided. Candidate assessments must go beyond English fluency and get at individuals’ core capabilities and market knowledge. The best get candidates to provide specific examples of their performance in the local context — in terms of business customs, culture and behaviors.

### Articulate a value proposition for potential hires

Because they are still regarded by many candidates as more short-term profit oriented and lacking long-term commitment to the market, MNCs are viewed as a riskier career option by many Japanese leaders. To counter this perception, it is important to demonstrate a strong, consistent commitment to the Japan market. When Oracle was building up the business in Japan in 1990s, for example, it established three goals — to attract leadership talent, hire fresh graduates and signal its commitment to the market with a Japan IPO and its own office building. It's also valuable to expose candidates to the broader company culture, for example, by having them interview with executives at headquarters and see the culture at headquarters firsthand.

### Be strategic in identifying and attracting senior female talent

Many MNCs are surprised by the scarcity of senior female leaders in Japan, particularly in sales and marketing. Female executives have growth potential even if they do not have a tangible track record to do the job from Day 1. Smart companies are hiring up-and-coming female professionals one or two layers below the target position and preparing them for the top role with a long-term development plan.

### Assess with a focus toward understanding candidates' flexibility and cultural agility

When assessing candidates who have built their careers at Japanese companies, look for evidence of their flexibility and cultural agility through stories about their lives and careers. Growing up overseas, studying at a business school in a different culture, or serving in an expat role at some point, all may be indicators that the person is curious about other cultures and ways of doing things and may be more comfortable stepping outside of familiar structures. Stories about candidates' outside interests — coaching their children's baseball team, volunteering at a foster home — as well as their behavior during the interview process — their ease at communicating, or their “client first” orientation — will help you understand the personality, style and guiding principles of the candidates.

### Establish a smart onboarding process

Since Japan is isolated from the rest of the world by geography and mindset, it can be challenging for newly hired Japanese leaders to quickly adjust to the global team and culture. A thoughtful and well-designed onboarding process can facilitate a smoother assimilation to the culture and company structure. One European company, for example, sent a new marketing director to headquarters for more than six months to absorb the company culture and build personal relationships with senior executives at headquarters. Another effective approach is to provide new hires with an executive coaching service. We've seen a number of new executives accelerate their transition by working with executive coaches prior to starting in their new roles.

## GOING “GLOCAL”

MNCs can improve their ability to identify and recruit strong leaders for the Japan market by understanding the nuances of the talent market and combining the expertise of their global and local teams. Organizations that take a broad look at the sources of talent and tailor their recruiting approach to this special market are most likely to successfully recruit high-performing leaders for the business.

## ABOUT THE AUTHOR

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